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SIPDIS  
TELEGRAM

March 31, 2004

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Action: Unknown  
From: AMEMBASSY ABU DHABI (ABU DHABI 932 - ROUTINE)  
TAGS: ELAB, PREL, PHUM, PGOV, SOCI, CVIS  
Captions: None  
Subject: OPIC VISIT READOUT  
Ref: None

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UNCLAS ABU DHABI 00932

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CXABU:  
ACTION: POL  
INFO: AMB DCM P/M RSO ECON

DISSEMINATION: POL  
CHARGE: PROG

APPROVED: AMB:WAHBA  
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FM AMEMBASSY ABU DHABI  
TO RUEHC/SECSTATE WASHDC 3769  
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UNCLAS SECTION 01 OF 04 ABU DHABI 000932

SIPDIS

STATE FOR NEA/ARP, NEA/RA, DRL AND EB/CBA  
STATE PASS OPIC/OPIC INTERNATIONAL POLICY DEPARTMENT FOR  
VIRGINIA GREEN AND CONSTANCE SHINN  
USDOC FOR ITA/MAC  
STATE PASS USTR FOR JASON BUNTIN AND DOUG BELL

E.O. 12958: N/A  
TAGS: [ELAB](#) [PREL](#) [PHUM](#) [PGOV](#) [SOCI](#) [CVIS](#) [TC](#)  
SUBJECT: OPIC VISIT READOUT

1. SUMMARY: A delegation from the Overseas Private Investment Corporation (OPIC) visited the UAE February 27 to 29 to assess progress on labor rights issues. They met with representatives from the Ministries of Finance and Industry, Labor, Foreign Affairs, and the Central Bank, as well as U.S. banking and business representatives. The Ministry of Labor told the delegation that it expects the revised labor law and related amendments to be passed in June or July. While OPIC was impressed with the progress the UAE has made regarding labor conditions since it suspended coverage in 1995, the delegation told the UAEG that OPIC would need to review the proposed labor

law, once it is ratified and implemented, before it could consider re-opening in the UAE. OPIC pushed to have the revised law ready to be announced at the June ILO meeting in Geneva. END SUMMARY.

¶2. OPIC Executive Vice President and Chief Operating Officer Ross Connelly, Deputy Chief of Staff and Senior Advisor to the President Dulce Zahniser, and Vice President of the Office of Investment Policy Virginia Green met with Minister of State for Finance and Industry Dr. Mohamed Khalfan bin Kharbash, Labor Ministry U/S Dr. Khalid Al Khazraji, MFA Assistant U/S for Political Affairs Abdullah Rashid Al Noaimi, and Central Bank Governor Sultan Nasser Al Suwaidi. The delegation also met with Bank of New York Vice President and Regional Representative Hani Kablawi, and Manager of the Abu Dhabi office of Occidental Petroleum David Scott. Green also met with Philippine Embassy Labor Attaché Annabella Oliveros, had lunch with members of the American Business Group, and traveled to Dubai to meet with representatives from Citibank and with the Head of Financial Institutions at the Dubai International Financial Center, Sandy Shipton.

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HISTORY  
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¶3. OPIC suspended coverage in the UAE in 1995 due to its lack of compliance with internationally recognized worker rights standards. Since then, the UAE has taken a number of important steps to conform with international labor norms, including ratifying ILO conventions 100 (Equal Remuneration), 105 (Abolition of Forced Labor), 111 (Discrimination), 138 (Minimum Age), 182 (Worst Forms of Child Labor), and 81 (Labor Inspections). The UAEG has also implemented ILO bio-hazard rules on occupational health and safety. Although the UAEG is considering ILO conventions 87 and 98 on the rights of association and collective bargaining, it has yet to ratify them. The OPIC delegation stressed the importance of ratifying these conventions and protecting through legislation workers' rights in these areas, in addition to passing labor reform legislation.

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FINANCE AND INDUSTRY MINISTRY  
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¶4. OPIC met with the Minister of State for Finance and Industry, Dr. Mohamed Khalfan bin Kharbash. MFA Assistant U/S for Political Affairs Abdullah Rashid, Finance U/S Khalid Bustani, the DCM and Poloff (notetaker) were also present. Kharbash stressed the importance the UAE places on reinstating OPIC coverage, and asked what could be done to speed up the process. Connelly said that he would like nothing more than to resume business in the UAE. However, problems in the human rights arena remain unresolved, and OPIC will only be able to reopen in the UAE after it sees significant progress in labor rights implementation, he said. He emphasized that prospective reforms would not be enough for OPIC to restore coverage. Kharbash stated that he understood OPIC's position, and discussed measures the UAE is taking to comply with international norms, including the proposed labor legislation currently under consideration. However, he said that negotiations shouldn't get "stuck" while waiting for the proposed labor law. Dialogue must be on-going, since both the UAEG and U.S. companies will benefit from OPIC reinstatement. Connelly responded that Kharbash was "preaching to the choir," and that increasing business and opening financial institutions in this part of the world was a priority for the U.S., not only to profit the businesses, but also to assist in Iraqi reconstruction. Once worker rights were ensured, OPIC would be ready to open for business. Green added that this could happen by the end of this year.

¶5. Bustani pointed out that time was key, and that several fast-moving projects could miss out on coverage. Kharbash added that there is no such thing as a perfect solution to the labor issues the UAE faces, however, the UAE and U.S. must be able to work through the issues and strengthen their strategic relationship. Abdullah Rashid said that the UAE wants to see more U.S.

businesses open soon, especially in the oil industry. He hoped that labor issues would not hinder this kind of development.

¶6. Connelly responded to all these points by stating that OPIC has laws and Congressional mandates to follow, and that other institutions contribute to OPIC's decision to reopen. He said that he must provide those institutions with information on the UAE's progress so that all parties can jointly make an informed determination. The DCM also asked the Emiratis to encourage the Ministry of Labor to accelerate the passage of the proposed labor legislation and the related amendments. The meeting adjourned with all parties agreeing to keep the lines of dialogue open.

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MINISTRY OF LABOR  
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¶7. At the Ministry of Labor, the delegation met with Labor U/S Khazraji. Connelly explained that the final determination of whether OPIC reopens in the UAE rests with the State Department and ILO in addition to OPIC. He said that the main issue that will determine how fast the agency can reopen is labor rights. Once the key areas for improvement are resolved, the parties will be able to make a decision to reinstate OPIC coverage.

¶8. Green and Khazraji discussed the UAE - ILO cooperation and the new draft labor law. Khazraji explained that the proposed law does not address some areas of concern, such as the use of underage camel jockeys and the creation of labor organizations. However, while the federal Cabinet considers the proposal, the MOL is working on amendments to cover these areas. He said that all the issues cannot be tackled at once, but the MOL has been working with the ILO for two years on the labor law and other labor issues, balancing the need to conform to international norms with the UAE's areas of concern, including its extremely high proportion of foreign workers (estimated at up to 98% of the private workforce). Khazraji said that all issues must be studied before moving to the next stage, since the Ministry wants to "do this right." But he emphasized that the process is moving forward, and the UAE is working on all the issues the ILO has pointed out as "weak areas." He said that he hoped that the proposals would be reviewed soon, however, the Cabinet has other issues on its agenda as well, and a final decision might be three to four months away.

¶9. Khazraji urged OPIC to look at the overall picture when making its determination. He said the UAE does not have large problems with its labor force. There are some disputes, but no child labor. Safety laws exist. Labor rights are protected, even without unions and under the old labor law. Many people still want to come to the UAE to work, and this would not be the case if laborers were treated poorly, he said. Connelly recognized that the UAE's potential was tremendous. However, the few outstanding labor problems are all that is preventing OPIC from reopening.

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MFA  
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¶10. During a separate meeting with U/S Abdullah Rashid, Connelly requested that he use his political clout to push the labor law to the "front of the line" of legislation waiting for Cabinet review. He also said that he hoped that, like Qatar, the UAE would be able to announce the new legislation at the June ILO conference in Geneva.

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BANKING AND BUSINESS SECTORS  
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¶11. The OPIC team rounded out its visit with meetings with the Bank of New York (BONY), Occidental Petroleum (OXY), and the Central Bank of the UAE. While the delegation explained the necessity to improve labor conditions before it could reopen, conversations quickly drifted away from labor issues and onto increasing business and banking opportunities in the UAE and in Iraq. At BONY, Vice President and Regional Representative Hani

Kablawi and Connelly discussed how they could work together in the future to increase business opportunities, especially in the lesser-developed Northern Emirates. BONY said that it might be more comfortable financing investments in the Northern Emirates using OPIC's risk mitigation and term credit finance services.

¶12. At OXY, Abu Dhabi Office Manager David Scott said that his organization is anxious for OPIC to reopen. He gave the team a Dolphin Project overview, and said that OXY primarily wants to involve OPIC for the comfort of financiers who may not otherwise be comfortable investing in this part of the world. The Dolphin Project needs financing as soon as possible. OXY has a June deadline to either go with OPIC or look elsewhere. Connelly said that OPIC is also eager to open in the UAE and Qatar, however, it cannot do so without a change in labor conditions, backed by law. Since the ILO and State Department were key in the decision to end coverage in 1995, OPIC has decided to rely heavily on their judgement before reopening, Green said. She said that international labor standards have risen since 1995. The UAE's standards currently are "good," but additional work is needed on implementation. Scott expressed his concerns about relying too heavily on the ILO's opinion, since, in his view, the ILO has had a historically bad relationship with the UAE and may not be completely objective.

¶13. At the Central Bank, Governor Al Suwaidi and Connelly discussed business opportunities and challenges in Iraq, Afghanistan, and the UAE. Suwaidi said that, despite the difficulties of investing in Iraq and Afghanistan, the Gulf region is the best place to provide banking support, and the UAE was the best place in the region to provide this support, due to increased stability and fewer sensitivities.

¶14. Green met separately with the American Business Group, including President John Velliquette of Raytheon, and members Charles Laubach of Affridi & Angell Law Firm, Frank Wayne of the Abu Dhabi Investment Authority, Michael Tomalin and David George, both of the National Bank of Abu Dhabi. The group consensus was that labor conditions were no longer poor and should not be a deterrent. They also said that business conditions for U.S. investors in the UAE is excellent, and any smart investor who knows the region should not require an OPIC safety net. If someone is basing a decision to open a business here on OPIC coverage, the group said that that person should just look elsewhere and leave the potentially excellent business opportunity for a more savvy investor.

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LABOR ATTACHE MEETING  
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¶15. Philippine Embassy Labor Attaché Annabella Oliveros explained that about 170,000 Filipinos work in the UAE. However, she said that the 18,000 Filipinas working as domestic servants faced the most problems, since they are not covered by the labor law. She handled approximately 500 cases of non-payment of wages last year. She said that the UAEG is generally responsive, but too often sides with the employer, since the maids usually run away from their sponsors before the problems are resolved. The employer then trumps up charges against the maid, who is then arrested, deported, and never paid. She said that she handles about 100 rape cases per year. Of the approximately 150,000 workers who are not domestic servants, approximately 5% go unpaid regularly.

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DUBAI MEETINGS  
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¶16. In Dubai, Green and the Consulate's Pol/Econoff met with five Citibank representatives to discuss Citibank's plans to provide services and assistance in Iraq. Green also met with the Head of Financial Institutions at the Dubai International Financial Center (DIFC) to discuss banking and DIFC's role as an "off-shore banking center" for the Middle East, and potential OPIC projects. She also invited DIFC representatives to give their presentation in Washington during its "road show" this summer.

¶17. COMMENT: It was clear from the meetings that the UAE has made great advances in improving labor conditions for workers since OPIC withdrew its services in 1995. However, the sticking points remain the still-pending labor legislation update, and the unratified ILO conventions on the rights of association and collective bargaining (87 and 98). The OPIC delegation left no doubt that the implementation of a labor law that protects the rights of all workers, including the non-citizens who comprise approximately 98% of the UAE private sector workforce, was the beginning point in determining if the UAE has made enough progress to warrant reinstatement of OPIC coverage. The proposed labor law, and proposed amendments to the law, will have to be passed and implemented, then studied by OPIC and other organizations with a say in whether OPIC re-opens here. While the UAE meets with the ILO regularly, has implemented a number of ILO conventions, and is addressing ways to allow freedom of association and collective bargaining while balancing the UAE's security concerns, the OPIC delegation made it clear that there is still work to do before OPIC will reinstate coverage in the UAE. END COMMENT.

¶18. Members of the OPIC delegation did not have the opportunity to clear on this cable.

WAHBA